To: Griswold, Hays[Griswold.Hays@epa.gov]
From: Retirement & Financial Planning Report
Sent: Thur 5/19/2016 4:35:22 PM
Subject: Retirement & Financial Planning Report: Thurs, May 19, 2016

Thursday, May 19, 2016

In case you missed it. Today's most widely read article...

Background Checks to Include Examining Social Media

Checking of publicly available postings on social media will become a standard part of background checks on federal employees for new or renewed security clearances, under an Obama administration policy decision. More details at **http://www.fedweek.com/fedweek/background-checks-include-examining-social-media**/

The Early Retirement Decision

By Reg Jones

Hardly a day goes by without federal employees asking me if they should accept their agency's offer of early retirement. Even though they aren't sure about the pluses and minuses, they know that there's got to be more to the decision than how much they'll get in their annuity if they accept it.
Here's my advice...**http://www.fedweek.com/reg-jones-experts-view/early-retirement-decision/**

Pre-Retirees Spending at Higher Rates Than in Past

One reason for the frequently reported shortfalls in retirement savings by those approaching retirement is that their spending habits differ from those of earlier age groups—that is, the portion of their disposable income that the spend is higher.

That's the conclusion of a study by the National Center for Policy Analysis, a think tank that examined spending habits of two groups, those age 45 to 54 years old, and those age 55 to 64 years old.

The study found that compared with past generations, children are a major additional expense. The cost of a college education has grown faster than income for decades and 40 percent of the nation's student loan debt is now held by individuals over the age of 40. "Though some individuals choose to further their own education during midlife, it is likely that many baby boomers are helping their college-age children with college expenses and loan payments," it said.

Similarly, of those in the studied age groups with children between age 18 and 39, 59 percent are

providing financial support to children who are no longer in school—including for living expenses, transportation costs, medical expenses and general expenses, as well as paying off general debt.

Housing is another major cost. Over the last 20 years, the share of expenditures on housing for those age groups increased by 25 percent, with nearly half of the increase due to higher interest costs for home mortgages, reflecting higher housing prices. “It is estimated that 15 percent of all baby boomers will not get out of debt in their lifetimes,” the report said.

Meanwhile, “Contrary to some perceptions, baby boomers have not increased their spending on frills such as entertainment or dining out.” Spending rates on restaurants, household furnishings and clothing all have fallen over that period, it said.

Two Twists in FEGLI

There are two features of the Federal Employees Group Life Insurance (FEGLI) program that are not well known nor understood but could benefit you in specific situations.

First, you can irrevocably assign your life insurance benefits to another person or persons. Second, you can cash in your Basic insurance when you have been diagnosed as being terminally ill. However, by law, these options are mutually exclusive. If you elect one, you can’t elect the other.

Assignment of Benefits--You can transfer ownership and control of your Basic, Standard Optional, and Additional Optional insurance to any individual(s), corporation or irrevocable trust (with one exception: you can’t transfer ownership if a court has issued a decree of divorce, annulment or legal separation and specifically stated that your FEGLI benefits must be paid to someone else). If you make an irrevocable transfer, you won’t be able to cancel your life insurance or make any changes in your beneficiary.

Living Benefits--Anyone who is terminally ill and has a life expectancy of nine months or less may elect what is called a living benefit. It’s an accelerated payment of Basic life insurance benefits to the policyholder, rather than to a beneficiary or survivor. Only Basic insurance can be cashed in.

A living benefit may be elected only once, and that election cannot be reversed. So, if you elect a full living benefit, you will be cashing in your entire Basic policy. If you elect a partial living benefit, you will only be cashing in a portion of that policy. That can be done in multiples of $1,000. With a full living benefit, you would no longer pay any premiums. With a partial benefit, your premiums would be reduced. Note: Retirees and compensationers may only elect full living benefits.

Clearly, if you elect a full living benefit, your survivors will not be eligible for any Basic insurance benefit upon your death. A partial benefit will leave them with the remainder of your policy. However, you need to understand that the dollar value of the remaining amount will be frozen. It will never change, even if your salary goes up.

If you are eligible for a FEGLI living benefit, the amount you receive will be less than the face value of your policy. That reduction represents the interest lost to the life insurance fund because they paid you ahead of schedule. Fortunately, there is no profit margin included in a living benefit; therefore, the amount you receive will usually be higher than that offered by a viatical settlement firm.

Real Estate as an Investment

If you own investment real estate, you have a triple chance to make a profit:

1. You can collect monthly rent from tenants.

2. You can sell the house if it gains value.

3. You can refinance the house if it has appreciated, pulling out cash from a larger loan, tax-free.

Judging by options 2 and 3, your profit potential will be enhanced if you use a mortgage to buy a home that gains value.

The term “positive cash flow” is critical for real estate investors: it means that the rent you collect from tenants exceeds all of your out-of-pocket expenses, including insurance, maintenance, and taxes. This usually happens when the investor makes a large down payment and has relatively low mortgage costs. Most investors prefer to maximize leverage with a large mortgage so it may take years for rental increases to grow, outstripping fixed mortgage interest costs.

Some people who buy investment property think they’ll enjoy positive cash flow right away. That probably won’t be the case unless you’re making a very large down payment. Often, you’ll go three to five years before cash flow turns positive.

Investors also need to have a reasonable idea of how much rent they’ll be able to charge. To set the rate properly, you should do your homework, checking out how much comparable properties rent for, or you can work with a property management firm.

Don’t forget to calculate mortgage interest. You’d have to rent the house for more enough to cover all your other expenses in order to obtain positive cash flow.

Thus, before you borrow money to buy rental property, crunch the numbers and scout the area to see how much rent you’ll be able to charge.

Publisher's Perspective: It's Never to Early for a Retirement Checkup
Most retirement preparation naturally occurs in the period just before you plan to retire, often starting around five years out, and picking up in the last year or so. But consider the following: One of the most common comments made at pre-retirement seminars is: “This is a great seminar. I wish I would have taken it 15 years ago; it is too late to change anything now.” Continue reading at **www.fedweek.com/publishers-perspective/never-early-retirement-checkup/**

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Don Mace, Publisher
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- Special rules for employees who are also Reservists or National Guard members-when they can establish a second, "military" TSP account, how much they can invest in it, how the two accounts work in relation to each other, and considerations for combining accounts.
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Survivor Benefit Considerations: TSP Death Benefits, Civil Service Retirement Survivor Benefits, Social Security Survivor Benefits and Your Survivor Annuity Choice.

TSP Contacts and Forms: TSP Service Office, The ThriftLine, The TSP Website and Forms.

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